

AR54



ANDRÉS
wines ltd.
annual
report
march 31, 1972

THE YEAR IN REVIEW

(in thousands of dollars)

	1972	1971	Percentage Increase
Sales	8,660	4,832	79.2
Depreciation	283	183	54.6
Income Taxes	1,023	461	121.9
Net Earnings	1,050	413	154.2
Net Earnings per share (in dollars)			
— Basic	1.48	.57	159.6
— Fully			
Diluted	1.03		
Total Assets	9,252	5,489	68.6
Shareholders' Equity	2,830	1,639	72.6

TO THE SHAREHOLDERS:

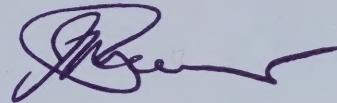
We are pleased to present our first semi-annual report to the shareholders for the period ending September 30, 1972. In the future, the company will be reporting on a quarterly basis.

Sales during the first six months totalled \$6,548,770. compared with \$3,700,418. for the same perior last year or an increase of 76%.

Net Earnings for the current period were \$1,016,296 or \$1.286 basic earnings per common share compared to \$408,606. or \$.594 basic earnings per common share last year. However, on a fully diluted earnings basis the Company earned \$.951 per common share during the current period.

Capital Expenditures during the period amounted to \$1,338,101. resulting in a decrease of working capital of \$131,562.

Enclosed is the cover story for the Monthly Revue, published by the Montreal and Canadian Stock Exchanges.



Joseph A. Peller
President

Winona, Ontario.
November 10, 1972.

AR54



VINTNERS OF
FINE WINES

FOR FURTHER DETAILS
BRIAN NIETHIERING
P.R. MGR - F.O. HAYHURST
279-3917 (HOME)
487-4317 (OFFICE)

REPORT TO SHAREHOLDERS

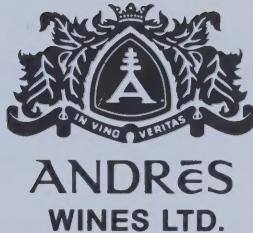
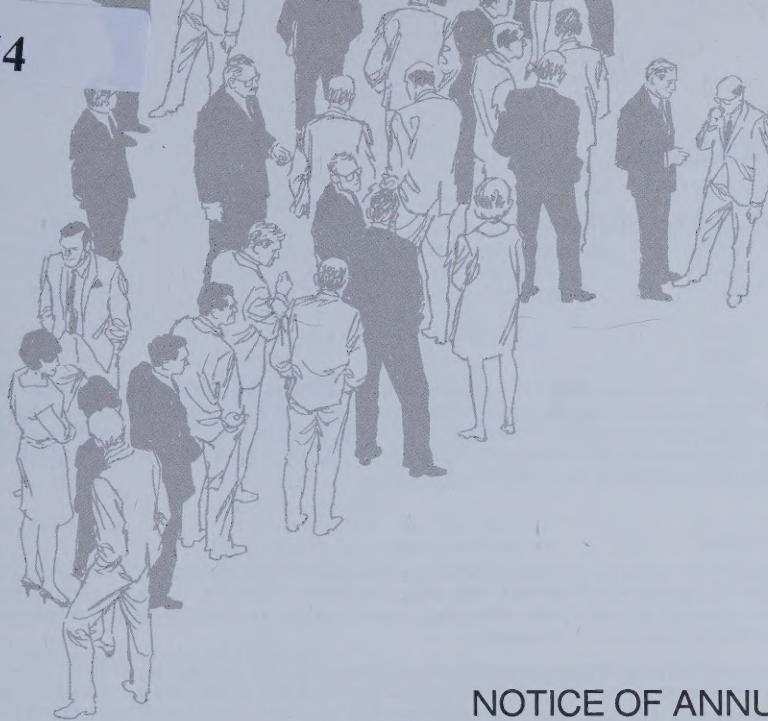
for the six month period
ended September 30, 1972

EARNINGS

(NOT AUDITED)
FOR THE SIX MONTH PERIOD ENDED SEPTEMBER 30, 1972

ANDRE'S WINES LTD.
and Subsidiaries





NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual and Special General Meeting of Shareholders of the above Company will be held at the offices of the Company, Kelson Ave. and Queen Elizabeth Hwy., Winona, Ontario on the 26th day of July, 1972 at the hour of 3:00 o'clock in the afternoon for the purpose of:

1. Receiving and considering the Financial Statements, Auditors' Report and Directors' Report for the year ended March 31, 1972.
2. To consider and if deemed advisable to sanction, with or without variation or amendment By-law Number 12 increasing from 11 to 12 the number of directors of the Company.

The full text of By-law Number 12 as enacted by the Board of Directors on May 16, 1972 is reproduced in the accompanying Information Circular.

3. Election of Directors.
4. Appointment of Auditors.
5. Such other business as may properly come before this meeting.

If you are unable to attend the meeting, kindly sign and return the enclosed proxy, using the business reply envelope provided for this purpose.

By Order of the Board,

Newman D. Smith,
Secretary.

Winona, Ontario, July 5, 1972

INFORMATION CIRCULAR

For the year ended March 31st, 1972

Solicitation of Proxies

This information circular is furnished in connection with the solicitation by the management of Andrés Wines Ltd. (the Company) of proxies to be used at the Annual and Special General meeting of shareholders of the company to be held at the time and place and for the purposes set forth in the enclosed notice of meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the company.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company.

A shareholder giving a proxy may revoke the proxy by instrument in writing executed by the shareholder or by his attorney authorized in writing, or, if the shareholder is a corporation, its corporate seal or by an officer or attorney thereof duly authorized and deposited either at the Head Office of the Company at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting or adjournment thereof.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL BE VOTED FOR the approval of the directors' report and financial statements, sanctioning By-law Number 12, the election of directors and the appointment of auditors as stated under those headings in this circular. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to all other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

Voting Shares and Principal Holder thereof

On July 5th, 1972, the Company had outstanding 817,781 common shares without nominal or par value, each carrying the right to one vote per share. Holders of common shares of record at least 48 hours before the time set for the meeting or any adjournment thereof will be entitled to vote at the meeting.

To the knowledge of the directors or senior officers of the company, Joseph A. Peller, the President of the Company owns beneficially, directly and indirectly 385,964 common shares of the company representing 47.2 percent of the outstanding common shares of the company. Of the said 385,964 common shares owned beneficially by Joseph A. Peller 305,250 common shares of the company representing 37.3 percent of the outstanding common shares of the company, are owned by Jalger Ltd. Joseph A. Peller owns 71 percent of the outstanding shares of Jalger Ltd.

Election of Directors

In the event that By-law Number 12 increasing the number of directors from 11 to 12 has been sanctioned the persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below. With the exception of T. Peter N. Jaffray all the nominees are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as a director but, if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting of shareholders of the company following this Annual Meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the By-laws.

The following table and the notes thereto state the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which they became directors of the Company, and the approximate number of shares of each class of the Company beneficially owned directly or indirectly by each of them, as of July 5th, 1972.

Name	Principal Occupation	Director Since	Approximate Number of Common Shares Owned as at July 5th, 1972.
E. S. Arnold	Vice-President Operations Andrés Wines Ltd.	1969	4,355
J. A. Boychuck	Vice-President Marketing Andrés Wines Ltd.	1970	7,333
G. R. Dawson	President Dawson Construction Limited	1966	17,860
B. R. James	Assistant Vice-President of Administration McMaster University	1966	1
R. H. Jenkins	President Burritt Travel Services Ltd.	1967	5,064
C. O. Nickle	Publisher Daily Oil Bulletin	1967	2,567
C. Norwood	President Canada Dry Bottling (Maritime) Ltd.	1968	100
Andrew Peller	Chairman of the Board Andrés Wines Ltd.	1966	32,760
Joseph A. Peller	President Andrés Wines Ltd.	1966	385,964
G. W. Snelgrove	President Snelgrove Nu-Drive Ltd.	1966	39,450
Dr. W. J. Walsh	Assistant Dean of Medicine McMaster University	1966	4,313
T. Peter N. Jaffray	For more than the past five years Vice-President and Director Dominion Securities Corporation Limited	—	200

Remuneration of Directors and Officers

- During the fiscal year ended March 31, 1972, the aggregate remuneration paid or payable by the Company.
 - to the directors of the Company as directors was \$4,100
 - to the officers of the Company as officers was \$138,014

No remuneration was paid or payable to any such directors or officers by any subsidiaries of the Company.
- Estimated aggregate cost to the Company and its subsidiaries during the last fiscal year of all pension benefits proposed to be paid to the directors and officers of the Company under existing pension plans in the event of their retirement at normal retirement age was \$5,813

Stock Option Plan

On November 18, 1971, the Company entered into an agreement with a director and officer of the Company granting him an option to purchase 50,000 common shares at \$2.45 per share and four additional options each for the purchase of 50,000 common shares at a price of \$3.00 per share. None of the said options are assignable.

The option to purchase 50,000 common shares at the price of \$2.45 is exercisable from the date of the agreement. The four additional options become exercisable periodically, commencing March 31, 1972, but only if the earnings of the Company shall have reached specified levels during each such period. All the options expire March 31, 1982. On February 25, 1972, 50,000 common shares were purchased under the first mentioned option at \$2.45 per share.

On November 18, 1971, the directors of the Company adopted an Employee Stock Option Plan pursuant to which 100,000 common shares of the Company have been reserved for the exercise of options granted or to be granted. The following options have been granted to officers and employees of the Company as at July 5, 1972 pursuant to the said Plan:

Date of Grant	Expiry Date	No. of Common Shares Option	Exercise Price
Nov. 18, 1972	Nov. 18, 1981	71,500	\$2.45
Feb. 24, 1972	Feb. 24, 1982	5,000	2.45

Since April 1, 1971, directors, officers or employees of the Company have purchased the following common shares of the Company pursuant to options, with the exception of the purchase of 50,000 common shares mentioned above:

No. of Common Shares	Date of Purchase	Exercise Price
22,000	February 25, 1972	\$2.45
1,500	March 8, 1972	2.45
1,600	March 27, 1972	2.45

At the times all of the above options were granted or exercised, the common shares of the Company were not listed or actively traded and accordingly the price range of the common shares of the Company at those times was not reasonably ascertainable.

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote for the reappointment of Messrs. McDonald, Currie & Co., Chartered Accountants, Hamilton, Ontario, as auditors of the Company, to hold office until the next Annual Meeting of Shareholders. Messrs. McDonald, Currie & Co. have been auditors of the Company since April 7, 1965.

Other Business

The common shares represented by the appropriate form of proxy hereby solicited will be voted and, where the person or company whose proxy is solicited specifies in such form of proxy a choice with respect to By-law Number 12 identified therein, such shares shall be voted in accordance with the specifications so made. In the absence of the specifications of a choice by such means, it is intended to vote such shares for the sanctioning of By-law Number 12.

By-law Number 12 enacted by the board of directors on May 16, 1972, the text of which is included herein, increased from 11 to 12 the number of directors of the Company.

General

Information contained herein is given as of July 5, 1972. The Management knows of no matters to come before the annual meeting of shareholders other than the matters referred to in the notice of meeting. If any matters which are not now known should properly come before the meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgment of the person voting it.

By order of the Board of Directors

Newman D. Smith,

Secretary

Winona, Ontario this 5th day of July, 1972.

By-Law Number 12

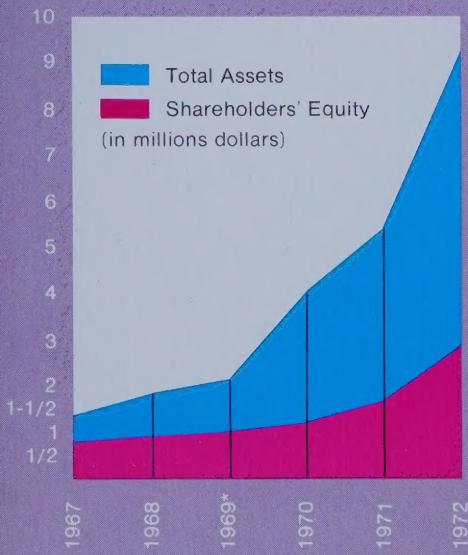
being a by-law increasing from 11 to 12 the number of directors of the Company

BE IT AND IT IS HEREBY ENACTED as By-law Number 12 of Andr s Wines Ltd. (herein called the "Company") that:

1. The number of the directors of the Company be and the same is hereby increased from eleven (11) to twelve (12) so that the Board of Directors of the Company shall hereafter be composed of twelve directors of whom four shall constitute a quorum.
2. All prior by-laws, regulations and proceedings of the Company inconsistent herewith, are hereby amended, modified and revised in order to give effect to this By-law.



*Represents seven months only



*Represents seven months only



Directors' Report to Shareholders

Nineteen seventy-two was a successful year for your Company with records being set for both sales and earnings.

SALES — Sales for the year were \$8,660,389 compared with \$4,832,362 in 1971, a dramatic increase of 79.2%. Andrés growth rate has far exceeded that of the Canadian wine industry; since 1970 our sales have increased 234%. Sales have increased in all provinces of the country and the largest increases have been in our table and sparkling wines.

EARNINGS — Net earnings for the year were \$1,050,030 compared with \$413,361 in 1971. The ratio of net earnings to sales increased to 12.1% from 8.6% in the prior year; the increase reflects primarily the improved efficiency in operations related to the higher volume of sales.

DIVIDENDS AND RETAINED EARNINGS — During the year dividends on the preferred shares in the amount of \$69,854 were declared to eliminate all arrears up to September 30th, 1971. Retained Earnings increased from \$854,967 in 1971 to \$1,827,116 in 1972.

BALANCE SHEET — Working Capital was \$2,063,324 at the end of the year compared with \$1,442,998 a year earlier.

Capital expenditures for land, buildings, machinery and equipment were \$1,687,086 of which \$590,799 was for buildings, and \$936,305 was for machinery and equipment.

CAPITAL STOCK — During the year a total of 75,100 common shares were issued to employees who purchased them in accordance with the terms of the Employee and Incentive Stock Option Plans.

Your Directors have been concerned over the years that the shareholders of the Company have not been able to utilize the facilities of a recognized stock exchange in buying and selling their shares. On May 18th, 1972 the common shares were listed on both the Montreal Stock Exchange and the Vancouver Stock Exchange.

PERSONNEL — The rapid growth of our Company has required several additions to our Executive staff. Donald W. Campbell was appointed General Manager of Andrés Wines (B.C.) Ltd., and is located at our plant in Port Moody. Dennis B. Fitz, C.A., was appointed Ontario Sales Manager and is based at our plant in Winona. Ronald H. Parent was appointed Controller of the Company and is located at our head offices in Winona. Each of these men have had wide experience in their respective fields and they have proved to be valuable additions to our management team.

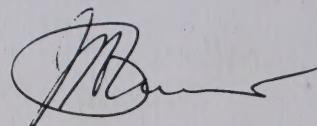
OTHER ITEMS OF INTEREST — During the year the Company received a silver medal from the INTERNATIONAL YALTA WINE FESTIVAL, U.S.S.R., in recognition of the excellence of the Company's VINO BUONO red table wine.

The TENTH ANNIVERSARY of the founding of our Company was observed with the opening of the new addition to our plant in Port Moody, British Columbia. The Honorable Francis X. Richter, Minister of Mines who officially opened the doors of our Company 10 years ago and the Honorable Cyril M. Shelford, Minister of Agriculture presided over the opening ceremonies and the reception which followed. The Company was honored by the attendance of many friends from government, business, and industry who took part in the celebration. The event received wide coverage in Western Canada through television, radio, and the press.

OUTLOOK — The increased sales of Canadian produced wines over the past five years should continue in the year ahead with perhaps some levelling in the rate of growth. While we do not expect that Andrés will maintain the rate of growth of the past few years, we do expect our sales to continue to increase above the industry average. The momentum created by the popularity of our various established brands as well as new brand introductions should enable us to make further gains in market share.

Andrés success in 1972 was made possible by the excellent performance of our employees. Their efforts are acknowledged with sincere thanks. The Directors also wish to express their appreciation for the continued confidence and support shown by our shareholders, customers, and suppliers.

On Behalf of the Board



Joseph A. Peller, President



The new Plant expansion at Winona has been started and will be completed by September 1972. This expansion will increase the plant by 35,000 square feet.



During the year the U.S.S.R. Trade Commission presented the company with a silver medal awarded at the International Yalta Wine Festival in recognition of the excellence of the Company's Vino Buono red table wine.

Consolidated Statement of Earnings

For the Year Ended March 31, 1972

	<u>1972</u> \$	<u>1971</u> \$
SALES.....	<u>8,660,389</u>	<u>4,832,362</u>
COSTS AND EXPENSES		
Manufacturing, selling and administration.....	5,993,815	3,576,676
Depreciation.....	283,204	185,349
Interest on long-term debt.....	209,375	127,387
Amortization of deferred charges and other assets.....	30,407	30,384
	<u>6,516,801</u>	<u>3,919,796</u>
	<u>2,143,588</u>	<u>912,566</u>
PROVISION FOR INCOME TAXES		
Current.....	922,400	406,130
Deferred.....	100,191	54,441
	<u>1,022,591</u>	<u>460,571</u>
	<u>1,120,997</u>	<u>451,995</u>
MINORITY INTEREST IN NET EARNINGS OF SUBSIDIARY COMPANIES (Note 7).....	<u>70,967</u>	<u>38,634</u>
NET EARNINGS FOR THE YEAR.....	<u>1,050,030</u>	<u>413,361</u>
EARNINGS PER COMMON SHARE (Note 8)		
Basic.....	<u>\$ 1.48</u>	<u>.57</u>
Fully diluted.....	<u>\$ 1.03</u>	

Consolidated Statement of Retained Earnings

For the Year Ended March 31, 1972

	<u>1972</u> \$	<u>1971</u> \$
BALANCE — BEGINNING OF YEAR — 1971 Restated.....	854,967	441,606
Net earnings for the year.....	1,050,030	413,361
	<u>1,904,997</u>	<u>854,967</u>
Dividends on preferred shares (Note 7).....	<u>77,881</u>	<u>—</u>
BALANCE — END OF YEAR.....	<u>1,827,116</u>	<u>854,967</u>

Consolidated Statement of Source and Use of Working Capital



For the Year Ended March 31, 1972

	<u>1972</u> \$	<u>1971</u> \$
SOURCE OF WORKING CAPITAL		
Net earnings for the year.....	1,050,030	413,361
Items not affecting working capital —		
Depreciation.....	283,204	185,349
Amortization of deferred charges and other assets.....	30,407	30,384
Deferred income taxes.....	100,191	54,441
Minority interest in net earnings of subsidiary companies.....	70,967	38,634
Provided from operations.....	1,534,799	722,169
Increase in long-term debt.....	638,478	17,193
Development incentive grant received.....	35,000	—
Proceeds on exercise of common share options.....	183,995	—
	<u>2,392,272</u>	<u>739,362</u>
USE OF WORKING CAPITAL		
Additions to fixed assets.....	1,687,086	809,239
Dividends on preferred shares (Note 7)	83,714	—
Increase in agreement receivable.....	1,146	1,523
Payment of prior year's income tax reassessment.....	—	29,500
	<u>1,771,946</u>	<u>840,262</u>
INCREASE (DECREASE) IN WORKING CAPITAL		
WORKING CAPITAL — BEGINNING OF YEAR.....	620,326	(100,900)
WORKING CAPITAL — END OF YEAR.....	<u>1,442,998</u>	<u>1,543,898</u>
	<u>2,063,324</u>	<u>1,442,998</u>

Consolidated Balance Sheet as at March 31, 1972

Assets

	<u>1972</u> \$	<u>1971</u> \$
CURRENT ASSETS		
Accounts receivable	1,570,594	680,949
Inventories of wine and supplies — at the lower of cost or net realizable value	3,698,387	2,189,711
Prepaid expenses	<u>61,161</u>	<u>71,848</u>
	<u>5,330,142</u>	<u>2,942,508</u>
 7% AGREEMENT RECEIVABLE ON SALE OF LAND —		
Due September 1, 1984	<u>32,669</u>	<u>31,523</u>
 FIXED ASSETS		
Land, buildings and machinery and equipment — at cost less accumulated depreciation (Note 2)	3,718,711	2,370,975
Leasehold improvements — at cost less amortization	<u>56,147</u>	<u>—</u>
	<u>3,774,858</u>	<u>2,370,975</u>
 OTHER ASSETS — at cost less amortization		
Reproduction and other deferred charges	54,976	72,894
Financing expenses	22,871	27,941
Organization expenses	<u>36,170</u>	<u>43,590</u>
	<u>114,017</u>	<u>144,425</u>
 Signed on behalf of the board	<u>9,251,686</u>	<u>5,489,431</u>
J. A. Peller, Director		
C. Norwood, Director		



Liabilities

Liabilities	1972	1971
	\$	\$
CURRENT LIABILITIES		
Bank advances (Note 3)	1,558,145	557,078
Accounts payable and accrued liabilities	518,889	418,649
Income and other taxes payable	882,084	402,083
Current portion of long-term debt	<u>307,700</u>	<u>121,700</u>
	3,266,818	1,499,510
LONG-TERM DEBT (Note 4)	2,616,696	1,978,218
DEFERRED INCOME TAXES	126,507	26,316
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANIES (including \$338,860 applicable to preferred shares)	<u>411,752</u>	<u>346,618</u>
	<u>6,421,773</u>	<u>3,850,662</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
Authorized		
250,000 Preferred shares of the par value of \$10 each, issuable in series, of which 125,000 are designated as Series A 6% cumulative preferred shares, redeemable at a 6% premium		
3,000,000 Common shares without par value		
Issued and fully paid		
33,315 Series A preferred shares	333,150	333,150
762,781 Common shares (1971 — 687,681 common shares) (Note 5)	<u>634,647</u>	<u>450,652</u>
	967,797	783,802
	35,000	—
CONTRIBUTED SURPLUS (Note 6)	<u>1,827,116</u>	<u>854,967</u>
RETAINED EARNINGS	<u>2,829,913</u>	<u>1,638,769</u>
	9,251,686	5,489,431

Notes to Consolidated Financial Statements

For the Year Ended March 31, 1972

1. PRINCIPLES OF CONSOLIDATION

These financial statements include the accounts of Andrés Wines Ltd. and its subsidiaries, Andrés Wines (B.C.) Ltd., Andrés Wines (Alberta) Ltd. and Abbey Wines Limited.

2. FIXED ASSETS AND CAPITAL COMMITMENTS

Land, buildings and machinery and equipment and related accumulated depreciation are classified as follows:

	1972		1971
	Cost \$	Accumulated Depreciation \$	Net \$
Land.....	217,513	—	217,513
Buildings.....	1,493,614	116,540	1,377,074
Machinery and equipment.....	2,892,645	768,521	2,124,124
	<u>4,603,772</u>	<u>885,061</u>	<u>3,718,711</u>
			<u>1,425,111</u>
			<u>823,615</u>
			<u>122,249</u>
			<u>2,370,975</u>

Capital commitments amounted to approximately \$188,000 as at March 31, 1972, including a contract for \$95,000 signed subsequent to the year end.

3. SECURITY FOR BANK ADVANCES

A specific and floating charge debenture on all assets of the company and its subsidiaries, ranking after the claims of other secured creditors, as described in Note 4, has been given as collateral security for the bank advances.

4. LONG-TERM DEBT

The long-term debt consists of the following:

	1972	1971
	\$	\$
7-3/4% Bank debenture, repayable \$180,000 annually plus interest.....	870,000	—
9% First mortgage bonds Series A repayable in quarterly instalments of \$6,300 plus interest.....	214,200	239,400
10% Debenture due May 15, 1980 with interest payable semi-annually.....	75,000	75,000
11-1/4% Mortgage bonds repayable in quarterly instalments of \$21,250 plus interest.....	701,250	786,250
Agreement to purchase repayable in semi-annual instalments of \$90,000 plus interest at prime bank rate plus one-half of 1% commencing on June 30, 1973.....	972,159	938,893
9-1/4% Serial debenture repayable in quarterly instalments of \$2,875 plus interest.....	48,875	60,375
7% First mortgage repayable in semi-annual instalments of \$1,000 plus interest, due May 31, 1973.....	22,912	—
9% Second mortgage repayable in annual instalments of \$4,000 plus interest commencing May 3, 1972.....	20,000	—
Less: Current portion.....	<u>2,924,396</u>	<u>2,099,918</u>
	<u>307,700</u>	<u>121,700</u>
	<u>2,616,696</u>	<u>1,978,218</u>



Notes (continued)

5. COMMON SHARE OPTIONS AND CAPITAL STOCK

356,889 Common shares have been reserved for stock option agreements of which 333,389 have actually been granted, including 236,000 to directors and officers. As at March 31, 1972, options on 122,189 shares were exercisable under the terms and conditions of the option agreements. The option price is either \$2.45 or \$3.00 and all options expire between August 25, 1974 and March 31, 1982.

During the year options on 75,100 shares, including 69,000 shares to directors and officers of the company, were exercised at the option price of \$2.45 per share.

6. CONTRIBUTED SURPLUS

During the year, a subsidiary company, Abbey Wines Limited, received a development incentive grant of \$35,000 from the Department of Regional Economic Expansion of the Federal Government, which amount has been shown as contributed surplus in these financial statements.

7. DIVIDENDS ON PREFERRED SHARES

The dividends on preferred shares charged to retained earnings consist of \$69,854 with respect to the parent company and the balance with respect to the minority interest in the cumulative preferred share dividends of prior years of a subsidiary company. The dividends on the latter relating to the year ended March 31, 1972 have been charged to minority interest in net earnings of subsidiary companies in the statement of earnings.

8. EARNINGS PER COMMON SHARE

Earnings per common share is based on the net earnings for the year (less the 6% cumulative preferred share dividends) and the weighted average number of common shares outstanding during the year.

Fully diluted earnings per common share assumes the exercise of the 333,389 shares granted under stock option agreements mentioned in Note 5 and investment of the proceeds at 7% less applicable income taxes.

9. STATUTORY INFORMATION, RE: DIRECTORS AND OFFICERS

The remuneration paid to eleven directors, as directors, amounted to \$4,100. The remuneration paid to six officers, of whom four are also directors, amounted to \$138,014.

Certain directors and officers of the company hold similar positions in the subsidiary companies for which they received no remuneration.

10. COMPARATIVE FIGURES

Certain of the 1971 figures have been reclassified to conform with the 1972 financial statement presentation.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Andrés Wines Ltd. and its subsidiaries as at March 31, 1972 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination of the financial statements of Andrés Wines Ltd. and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of one subsidiary, Abbey Wines Limited.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at March 31, 1972 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.
Chartered Accountants.

Six Year Summary

	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>(Seven Months)</u> <u>1969</u>	<u>1968</u>	<u>1967</u>
INCOME STATISTICS						
(in thousands dollars)						
Sales.....	8,660	4,832	2,592	1,129	1,358	983
Income Taxes.....	1,023	461	200	75	53	7
Net Earnings before Minority Interest.....	1,121	452	296	105	89	55
Net Earnings.....	1,050	413	250	105	113	54
Net Earnings Per Common Share						
— Basic.....	\$1.48	\$572	\$335	\$123	\$136	\$052
— Fully Diluted.....	\$1.03					
BALANCE SHEET STATISTICS						
(in thousands dollars)						
Working Capital (deficiency)	2,063	1,443	1,544	428	402	(11)
Fixed Assets (net).....	3,775	2,371	1,747	1,009	956	682
Long Term Debt.....	2,617	1,978	1,961	412	441	87
Minority Interests.....	412	347	267	222	236	54
Shareholders' Equity.....	2,830	1,639	1,248	1,009	941	815
Total Assets.....	9,252	5,489	4,078	2,113	1,893	1,422
NUMBER OF SHARES OUTSTANDING						
Preferred Shares — Series A	33,315	33,315	33,315	33,211	33,155	32,433
Common	762,781	687,681	687,681	686,401	677,277	669,942

Note: The year end was changed from August 31st to March 31st in 1969.

DIRECTORS

E. S. Arnold, Grimsby, Ontario
J. A. Boychuck, Burlington, Ontario
G. R. Dawson, Vancouver, B.C.
B. R. James, Hamilton, Ontario
R. H. Jenkins, Calgary, Alberta
C. O. Nickle, Calgary, Alberta
C. Norwood, Halifax, Nova Scotia
A. Peller, Ancaster, Ontario
J. A. Peller, M.D., F.R.C.P.(C),
Ancaster, Ontario
G. W. Snelgrove, Burlington, Ontario
W. J. Walsh, M.D., F.R.C.P.(C),
Hamilton, Ontario

REGISTRAR AND TRANSFER AGENT

The Canada Trust Company,

AUDITORS

McDonald, Currie & Co.

OFFICERS

A. Peller, *Chairman of the Board*
J. A. Peller, *President*
E. S. Arnold, *Vice-President Operations*
J. A. Boychuck, *Vice-President Marketing*
N. D. Smith, *Vice-President Finance
and Secretary*

BANKER

The Royal Bank of Canada

HEAD OFFICE

Winona, Ontario

PLANT LOCATIONS

(including subsidiaries)
Port Moody, British Columbia
Calgary, Alberta
Winona, Ontario
Truro, Nova Scotia

